AberdeenGroup

Top Entertainment Company Digitizes Travel and Expense Reimbursement to Wondrous Effect

Case Study on Category Spend Management: Travel

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Executive Summary

Issue at Hand

Business travel can be an informal barometer of economic activity – when business travel is up, growth is on the horizon. Increased booking of airplane seats, rental cars, and hotel beds mean that companies are out getting – and serving – more customers.

At the same time, though, travel has long been subject to formal management programs, and recently has come under stricter scrutiny. Travel expenses are high-profile targets for control and compliance following recent corporate abuse scandals and the specter of Sarbanes-Oxley regulation. Furthermore, business travel costs are on the upswing and all signs point to persistent service price escalation as travel industry economics continue to be in flux.

However, companies Aberdeen has surveyed report continued pressure to cut costs and improve operational performance. Information collection and visibility are the biggest hurdles to improvement, followed by rising process costs, sustaining employee service levels, and selecting the right travel partners.

Key Business Value

Improved travel cost visibility and control demand a number of online information collection and automation mechanisms. At the same time, enterprises need to think of travel management as a lifecycle process, and they should align or ally business operations accordingly.

Aberdeen has mapped out a total cost management lifecycle as it applies to travel. Key functionality points include program policy and design, contract terms and pricing development, online trip booking, and travel and expense reimbursement.

Aberdeen research with enterprises has shown that companies employing automation at key points of this lifecycle have gained significant benefits in overall travel programs and business effectiveness. Specific results for a successful best practice entertainment company that requested to remain anonymous follows in the next section.

Business Challenge

Entertaining families worldwide, this Fortune 500 company spends over a quarter of a billion dollars on travel expenses each year. Its employees journey to support its media development, recreation park, and consumer products businesses around the globe, and they file 300,000-plus expense reports annually.

As the company entered the new millennium, its 50,000 travelers were challenged by its manual reimbursement process. It took from three weeks to several months for some individuals to receive payment, and with direct-bill credit cards issued, aged balances and write-offs.

"The cycle time was awful," said the company's manager of worldwide shared services, T&E accounting. "We did not have a lot of happy campers."

At the time, the company's reimbursement efforts were hampered by disparate labor-intensive processes and more than 20 different travel policies across its various business units. Most employees entered their own expenses and accounting codes into Excel spreadsheets before printing them out and mailing them to managers for approval.

Overview

Company Name
Top Entertainment Company

Solution Providers
SAP AG, JP Morgan Chase Visa (Domestic US), American Express (International)

Business Challenge
Disparate manual travel expense reimbursement processes and policies resulted in long payment cycles and poor visibility into travel spend and compliance.

Strategy
Deploy employee self-service automated travel expense reimbursement solution online to support a centralized, standardized program.

Value Achieved
$10+ million in savings through labor consolidation, policy compliance savings, and corporate card adherence. Employees are now reimbursed within three to four days of submission.

After approvals were granted, the documents were mailed again to the accounts payable (A/P) group for payment processing. Finally, A/P personnel re-keyed the information in a system for disbursement.

Travel Cost Management Strategy

To improve operations among its 86 business units – and as part of a corporate-wide initiative – the company established a shared service organization to support accounts payables, finance, human resources, and payroll across the company in 2001. As a part of this initiative, it deployed an enterprise resource planning solution from SAP AG, which included travel and expense (T&E) accounting capabilities.

Solution Selection and Deployment

Following an assessment of niche players in the expense management automation space, the entertainment company found the SAP Travel and Expense (T&E) module fit its functional needs. Specifically, it wanted an online application with workflow and business rules for collecting spend information and flagging non-compliance, as well as the ability to route reimbursement requests for approval and processing.

The company also chose SAP because it felt it would save on integration costs by not having to tie a stand-alone T&E solution into its other financial and human resource applications. Another plus was the fact that SAP Travel and Expense was included in its SAP employee self-service suite license.

The enterprise SAP roll-out was slated across five waves from June 2002 through April 2004, using a global implementation of mySAP ERP hosted in a shared service center in Celebration, Fla. It brought three to four business units up and running on the system with each wave, including T&E training.

To facilitate the implementation, the company established one travel policy across the entire company. It also switched to an individual-bill, company-pay policy on its travel cards.

Results

Today upwards of 95% of domestic employees are using SAP to get reimbursed for their travel expenses. International employees use the system as well, the manager noted, with use primarily driven by each country's local accounting and regulatory needs.

His team has calculated that the company saved more than $10 million in the first year of deployment alone through productivity enhancements, improved policy and contract compliance, elimination of corporate card rebate write-offs, and labor productivity. Specifically, $5 million of the savings was in labor productivity recouped through the online streamlined process.

For example, the company now only manually audits expense reports by exception, where the SAP system flags questionable line items by business rule, such as dollar limits exceeded or duplicate expense submission. This has allowed the company to consolidate its audit team down to five from 42, a large chunk of the labor productivity savings.

The company is also benefiting from the detailed information it is able to collect in the system, including Level Three data from its card providers: JP Morgan Chase Visa for domestic travelers and American Express for international travelers. These details help in compliance activities; for example; it can compare if it has already reimbursed an employee for an airline ticket that was subsequently issued a credit on the card by tracking related ticket numbers in the system.

The entertainment company has also leveraged the data in the system in its travel supplier negotiations and relations. It is currently looking at examining its daily hotel rates, for instance, to ensure it is getting the rates employees should be offered from its preferred vendors. Of note, it is looking to use the insight gained from the system to better educate its own employees to be sure they identify themselves as company personnel when checking in, not necessarily blaming the vendors.

Lessons Learned

This company had to work first on its policy internally before deploying any software to streamline efforts. However, it found the application is essential to support its one policy compliance moving forward and maintain its commitment to standardization.

Future Outlook

The entertainment concern is working with SAP to expand its imaging solution to support imaged receipts internationally to further drive down paperwork. Domestically, it currently uses a third-party imaging service firm that sends a daily file to the SAP system, which associates the receipts with each individual report.

The company also plans to continue to leverage the data in SAP for supply base optimization. Worth mentioning, its T&E Accounting and Audit group is working internally with its global travel booking group to track the use of its travel agency codes on booked trips from the expense system to identify employees that rely on other options outside its dedicated agency and booking tool. In this way, further compliance can be driven to ensure employees use the preferred booking methods.

Aberdeen Conclusions

With a popular brand reaching every corner of the globe, this entertainment company embraces travel as a fact of life for many of its employees. Yet the company would not accept that reimbursing its valued personnel had to be a frustrating, manual process, instead imagining a world where information is collected seamlessly and processed quickly. As a result, its valued employees today are happier with the reimbursement cycles, but more importantly, it is able to better leverage its significant buying power and scale worldwide.

About SAP

SAP AG

Founded in 1972, SAP is the recognized leader in providing collaborative business solutions for all types of industries and for every major market. With 12 million users, 91,500 installations, and more than 1,500 partners, SAP is the world's largest inter-enterprise software company and the world's third-largest independent software supplier overall.

It has a rich history of innovation and growth that has made it a true industry leader. To-day, SAP employs more than 32,000 people in more than 50 countries. Its professionals are dedicated to providing high-level customer support and services.

To speak with a representative at SAP America, please call 888-727-1993.

For all other countries visit www.sap.com/contactsap.

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Aberdeen*Group*

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Aberdeen delivers unbiased, primary research that helps enterprises derive tangible business value from technology-enabled solutions. Through continuous benchmarking and analysis of value chain practices, Aberdeen offers a unique mix of research, tools, and services to help Global Business Executives accomplish the following:

- IMPROVE the financial and competitive position of their business now
- PRIORITIZE operational improvement areas to drive immediate, tangible value to their business
- LEVERAGE information technology for tangible business value.

Aberdeen also offers selected solution providers fact-based tools and services to empower and equip them to accomplish the following:

- CREATE DEMAND, by reaching the right level of executives in companies where their solutions can deliver differentiated results
- ACCELERATE SALES, by accessing executive decision-makers who need a solution and arming the sales team with fact-based differentiation around business impact
- EXPAND CUSTOMERS, by fortifying their value propositions with independent fact-based research and demonstrating installed base proof points

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